

Memorandum



Subject Telephone Interview with [REDACTED]
[REDACTED]

Date May 17, 1996

To Files

From William P. Jones

(b)(4), 7(D)

On May 7, 1996, Nina Hale, Jill Ptacek and I spoke with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

distribution: RWF, DNK, HALE, PTACEK, ALEXANDER - EAG, SWEENEY, JONES,
BEN-DAVID, CASE, CHRON, ARCHIVE

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Exempt under b4, b7D

7D

[REDACTED]

[REDACTED]

[REDACTED] percent [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] and states

that an example of what will happen next is what is going on in the western United States now where Frito has its way and does not have to adhere to such discount and bonus policies and negotiations since most of the competitors are out of business. He also states that there is a "critical mass" that Frito is building with its high efficiency in manufacturing and distribution process matched by its aggressive sales marketing strategy, all of which means: the more money they put in up-front, the more that comes out and the

fewer competitors there are to cipher off sales that would cut the early retailer bonuses criteria the better, because Frito can prove to their partners than the opposition was not needed.

[REDACTED]

[REDACTED]

7D

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

OTHER EXAMPLES OF FRITO MARKET ABUSE

See [REDACTED] numerous additional marketing wars examples that were faxed to us, providing clear and sequential recitations of his experience.

THE RAW MATERIALS MARKET

[REDACTED] states that the snack food industry is founded on the availability of potatoes and corn etc., as raw material for snack products. He states that for every four pounds of potato, one pound of potato chips is produced. Thirty percent of this is oil and sometimes a larger percentage than that may be 38 percent. There is maybe 1 percent of water involved and the larger scale shows one that 100 pounds of potatoes yields 25 pounds of potato chips, with much volume purchasing involved. And, so, a large market for buying raw potatoes is part of [REDACTED] operation as well as that of the other suppliers of snack foods in the industry. [REDACTED] states that in times of shortages of potatoes and corn, Frito will try to corner the market and "tie it up," providing no free supplies of potatoes from agricultural sources that would normally give [REDACTED] and others raw material. This is done through pushing up the price from a low of \$6 to \$7, all the way to \$25 which makes the availability of potatoes extremely low, often when there is a shortage to begin with. When Eagle was still in business, Frito attempted to tie up Eagle's raw potato crop contracts and thereby take Eagle out of the market from the front end. [REDACTED]

[REDACTED]

[REDACTED]

b7(D)

b4, 7D

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RECOMMENDATION FOR CALLING ANOTHER SNACK FOODS MANUFACTURER

[REDACTED]

[REDACTED]

[REDACTED]

OLESTRA AND SNACK FOODS MARKETERS

[REDACTED] is quite upset that Frito-Lay and Procter & Gamble have made an arrangement whereby Frito and Procter & Gamble's Pringles label are to be the sole marketers of the new Olestra oil-based products which will become part of the snack foods industry in the next five years. This expensive oil is being processed now and will be processed in a major way at a brand new plant which will cost [REDACTED] and will be built in 1997 or completed in 1997 by Procter & Gamble in Ohio, and the products that will be made shall cost probably a great deal more than most snack food

(b)(4)

products that are based on vegetable oil. [REDACTED]

[REDACTED]

b7D

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

On May 15, [REDACTED] and I spoke in Washington for about an hour and a quarter to discuss the information he had previously supplied to us by telephone and fax, and to reiterate his concern about three or four matters that were most pressing, in his estimation. This information was gone over by staff following the end of our meeting that afternoon and all information is now in paper form referenced in this memo or indicated in his careful, item by item

notation which was faxed to us immediately after his telephone
interview on May 

b7D

So/So # 10874